2006 PEO-SYSCOM CONFERENCE:
THE VALUE OF ENTERPRISE BEHAVIOR TO THE PROGRAM MANAGER

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08 NOVEMBER 2006

OUTLINE

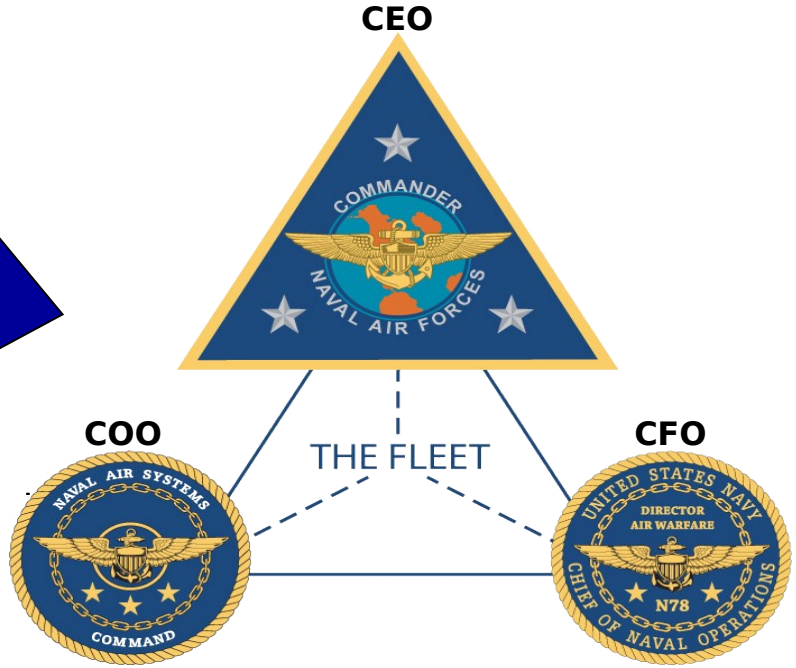
- **OUR ENTERPRISE JOURNEY**
- **AIR*SPEED* SUCCESS STORIES**
- **NAVY ENTERPRISE: THE WAY AHEAD**

OUR ENTERPRISE JOURNEY

NAVAL AVIATION ENTERPRISE LEAN SIX SIGMA (LSS) JOURNEY

- **THE YEAR IS FY01 . . .**
  - CURRENT READINESS . . . $1B DEFICIT
  - FUTURE READINESS . . . NEED MORE AIRCRAFT
- **CNO EXECUTIVE BOARD DIRECTION . . . DECEMBER 2000**
  - SINGLE PROCESS OWNER FOR NAVAL AVIATION
  - FIX CURRENT READINESS
  - AFFORD FUTURE READINESS

CONCLUSION
WE NEEDED TO CHANGE OUR BEHAVIOR TO ACHIEVE DIFFERENT OUTCOMES . . .



NAVAL AVIATION ENTERPRISE

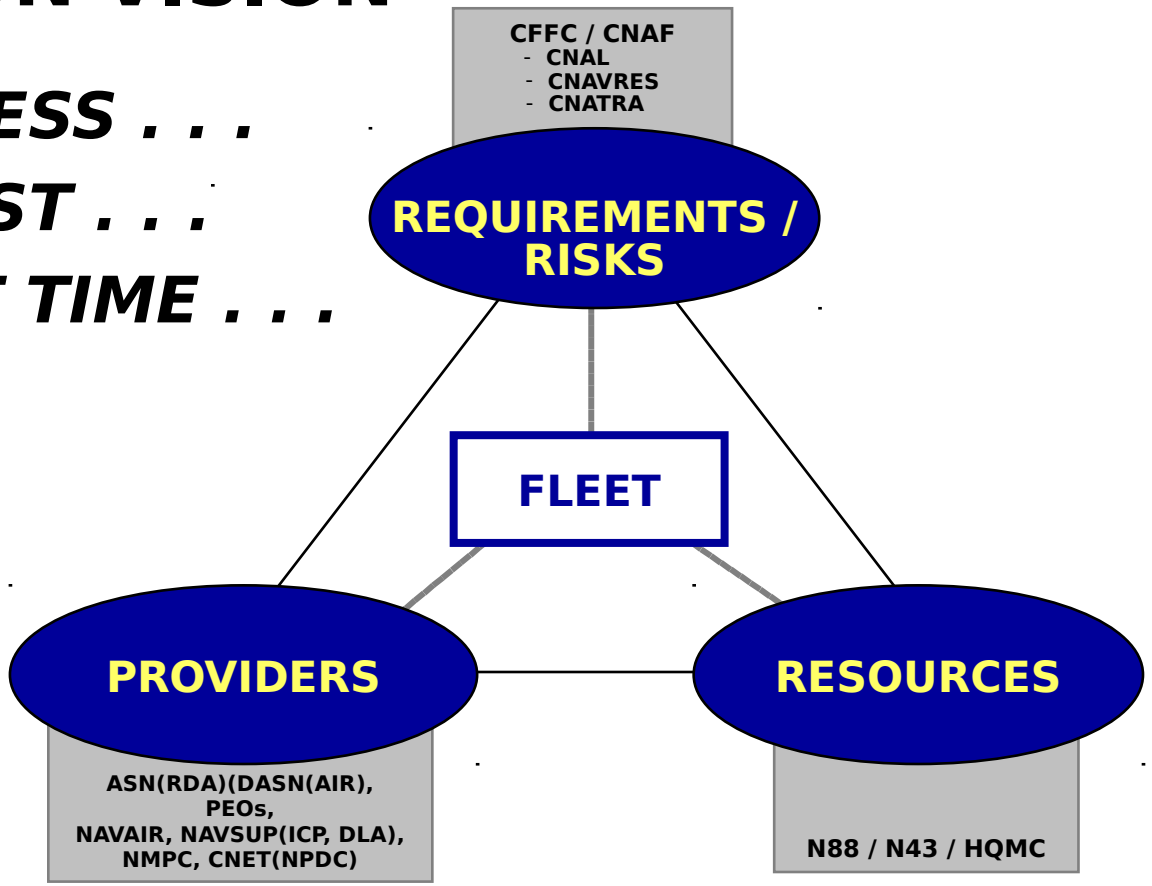
NAVAL AVIATION VISION

RIGHT FORCE . . .

RIGHT READINESS . . .

RIGHT COST . . .

RIGHT TIME . . .



. . . TODAY, AND IN THE FUTURE

THE INSPIRATION . . . PAY FOR THE NAVAL AVIATION OF THE FUTURE

PRESIDENT'S BUDGET (PB)

 # AIRCRAFT

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
PB00	74	105	140	163	183	187	201						
PB01	73	116	128	130	173	177	187						
PB02	73	115	124	88	92	115	119	143	155				
PB03		115	124	90	83	85	105	147	193				
PB04			124	91	99	104	104	134	192	255	303		
PB05				92	98	107	108	136	186	240	285		
PB06						105	110	128	173	200	249	259	254
PB07							111	124	165	192	257	267	254

PB00 PLAN: BUY 201 AIRCRAFT IN FY05

FY05 REALITY: PURCHASE 111

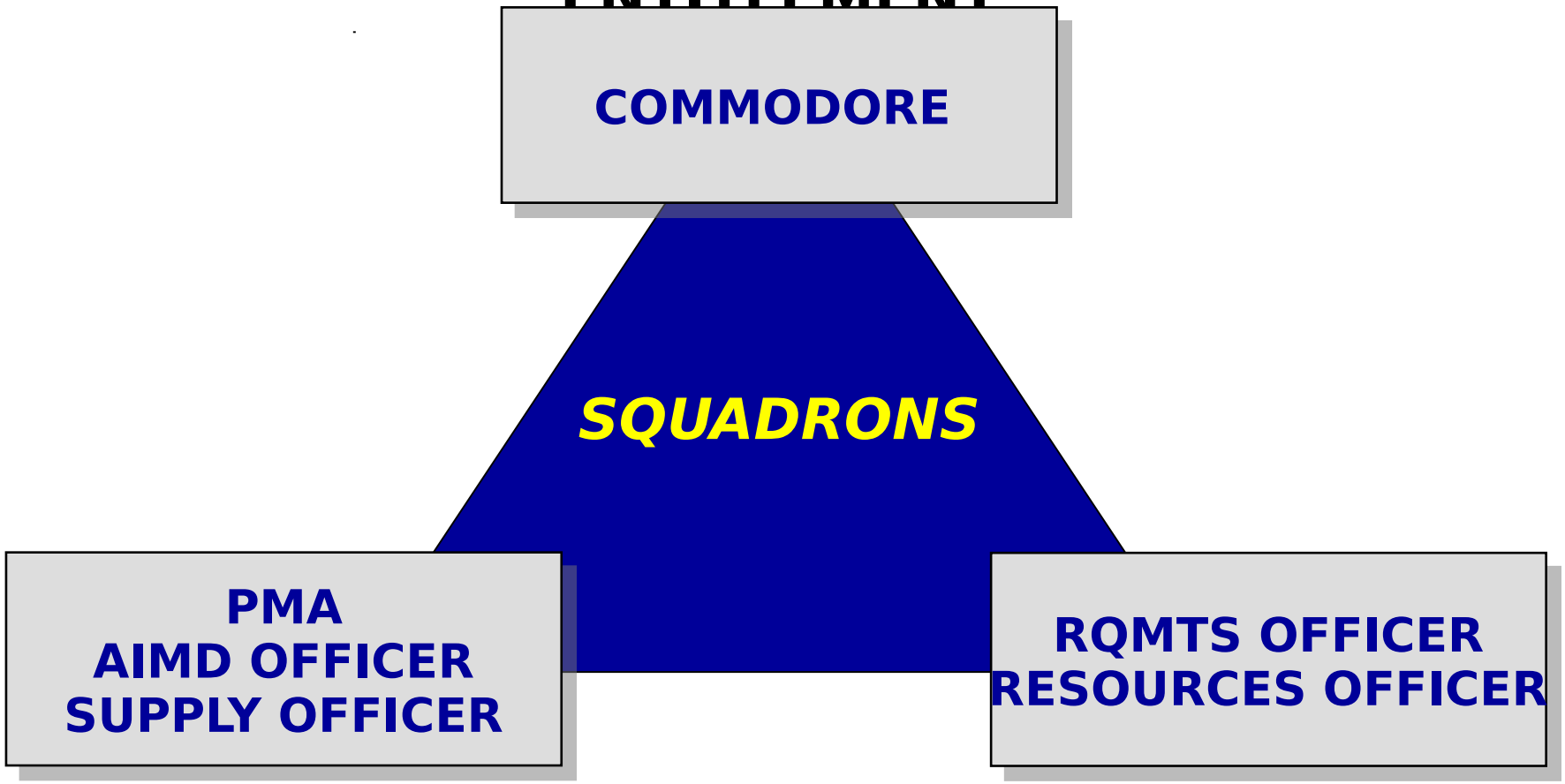
PB04 PLAN: BUY 303 AIRCRAFT IN FY09

FY09 PROJECTION: ON SCHEDULE TO BUY 257

UPDATED: 15FEB06

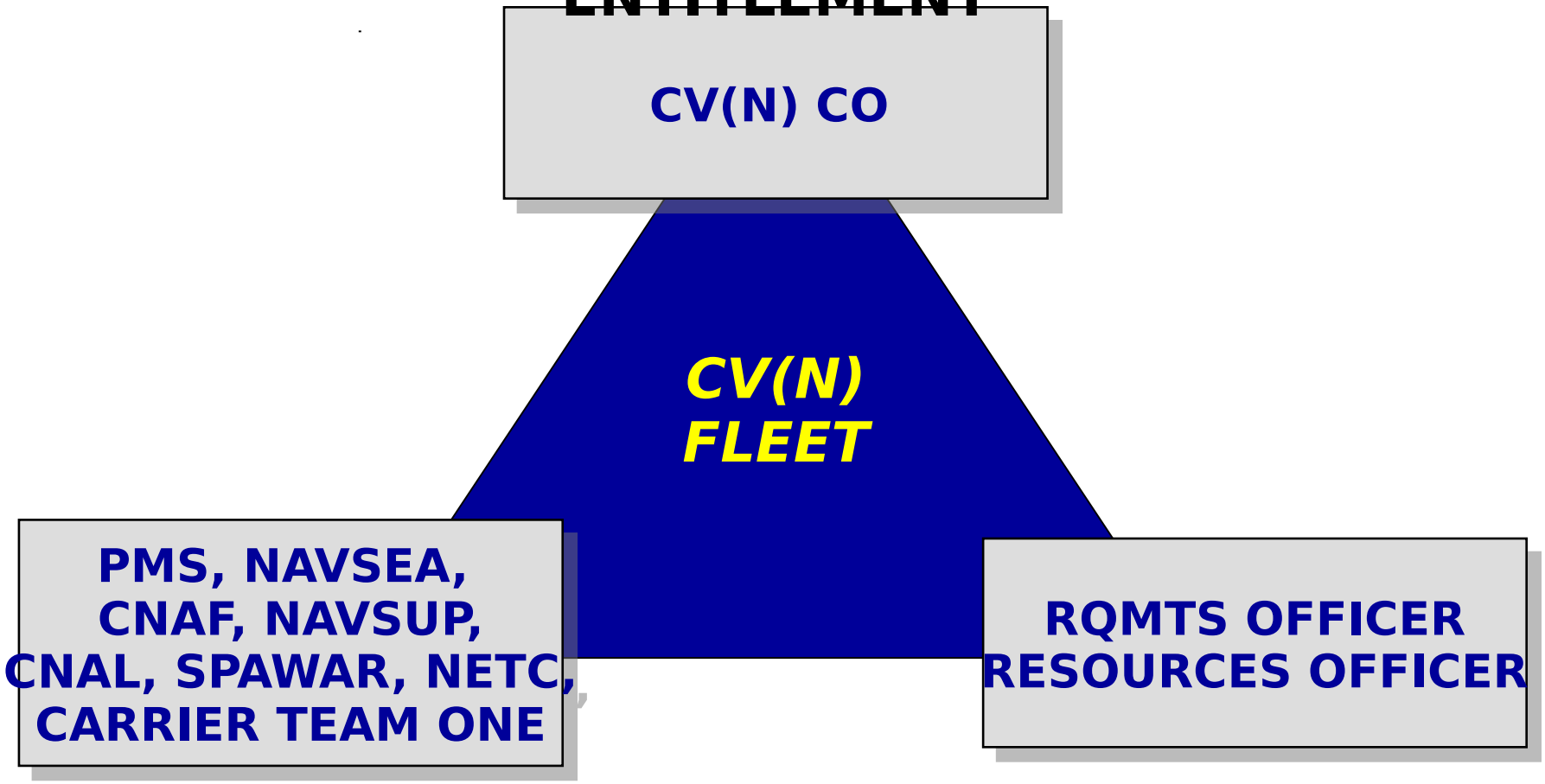
AIRCRAFT T/M/S TEAMS
BASIC BUILDING BLOCKS

DAY-TO-DAY READY FOR TASKING (RFT) MANAGEMENT BY ENTITLEMENT



CARRIER T/M/S TEAMS
BASIC BUILDING BLOCKS

DAY-TO-DAY READY FOR TASKING (RFT) MANAGEMENT BY ENTITLEMENT



ENTERPRISE PRINCIPLES

- APPLY A *PROCESS* PERSPECTIVE
- UTILIZE A SET OF CONSISTENT, INTEGRATED, AND HIERARCHICAL *METRICS*
- ENSURE FULL AND CONSISTENT *TRANSPARENCY* OF DATA AND INFORMATION THROUGHOUT
- ESTABLISH AND MAINTAIN PROCESS *DISCIPLINE* THROUGHOUT
- ESTABLISH AND MAINTAIN *ACCOUNTABILITY* FOR ACTIONS AND RESULTS THROUGHOUT
- APPLY AN *INTEGRATED GOVERNANCE* STRUCTURE

A DELIBERATE, DISCIPLINED PROCESS TO ACHIEVE AVIATION UNITS READY FOR TASKING AT THE RIGHT COST . . . TODAY AND IN THE FUTURE

OPERATING AS AN ENTERPRISE

- **SINGLE PROCESS OWNER**
- **SINGLE FLEET-DRIVEN METRIC:** ***AIRCRAFT AND CARRIERS READY FOR TASKING AT REDUCED COST*** **(CONTINUING TO MATURE)**
- **VALUES – WHAT WE BELIEVE**
  - ***FLEET READINESS***
  - ***"COST-WISE" (LESS $s)***
  - ***TIME ON WING (LESS STUFF)***
  - ***SPEED (LESS TIME IN MAINTENANCE)***
  - ***PEOPLE (CONTINUOUS IMPROVEMENT)***
- **THREE MAIN FOCUS AREAS:**
  - **READINESS: TODAY, TOMORROW, AND FUTURE**
  - **TOTAL FORCE READINESS**
  - **COST MANAGEMENT**

APPROACH

NEED TO DEFINE:

- DESIRED OUTPUT FIRST, **THEN . . . . . .**
  - POLICIES / PROCESSES
    NEEDED TO OBTAIN OUTCOME; LASTLY. . . . . .
    - BEHAVIORAL CONSTRUCTS / CONOPS
      TO ACHIEVE COST-WISE & RESPONSIVE OUTCOMES. . . . . .

A BEHAVIORAL MODEL FOR THE GREATER GOOD

ACHIEVE ENTERPRISE COST EFFICIENCIES

AIR*SPEED* PRINCIPLES OF OPERATION:

- PLACE THE RIGHT INVENTORY AT THE RIGHT SPOT
- TRADE SPEED FOR WIP
- OPTIMIZE MATERIAL / LABOR CONSUMPTION
- DRIVE VARIANCE OUT OF THE ENTERPRISE
  - THEORY OF CONSTRAINTS
  - SIX SIGMA

SHIFT REFLEX BEHAVIOR FROM "BUY MORE STUFF AND PEOPLE" TO "BUY MORE SPEED"

WHAT WE'VE LEARNED

. . . *"OR WHAT I WISH I'D KNOWN FROM THE START"*

- **A TOTAL ENTERPRISE APPROACH IS REQUIRED FOR BEST RESULTS**
- **CHANGE REQUIRES COMMITMENT / WILLINGNESS TO DRIVE**
- **THROWING MONEY AT BROKEN PROCESSES IS PRETTY CLOSE TO A CRIME**
- **ESTABLISHING THE RIGHT METRICS (OUTPUT / CUSTOMER) IS ESSENTIAL**
- **NOT EVERYTHING CAN BE FIXED INTERNALLY—OUTSIDERS CAN IDENTIFY, DRIVE AND ACCELERATE CULTURAL CHANGE—NEED HELP IN MANAGING PROCESS AND DISCIPLINE IN EXECUTION**

PROCESS DIMENSION:	**AS MEASURED BY:**
PROCESS *SPEED:*	**INVENTORY ON HAND**
PROCESS *QUALITY:*	**FIRST-PASS YIELD**
PROCESS *EFFECTIVENESS:*	**TURNAROUND TIME**
PROCESS *EFFICIENCY:*	**COST PER UNIT**

ENGINE REPAIR CONSOLIDATION AND PRODUCT ENTERPRISE TEAMS (PET)

F404 ENGINE I-LEVEL CONSOLIDATION

- **EFFORT BEGAN EARLY '04**
- **IDENTIFIED EXCESS CAPACITY (57%)**
- **SIGNIFICANT SAVING PROJECTED**
  - 9-5 SITES (FY05)
  - 5-3 SITES (FY06)
  - $161M SAVINGS THROUGH FY11
- **SPOTLIGHTED THE POTENTIAL OF PROCESS IMPROVEMENT ACTIVITIES**
  - AIR*SPEED*, LEAN, TOC, SIX SIGMA
- **NAE-WIDE APPROACH**
- **NOV 04: NAE PROCESS LAUNCHED**

THE PET PROCESS BRINGS:

- **STANDARD PROCESSES & METRICS**
- **PRIORITIZATION OF WORK AND INVESTMENT**

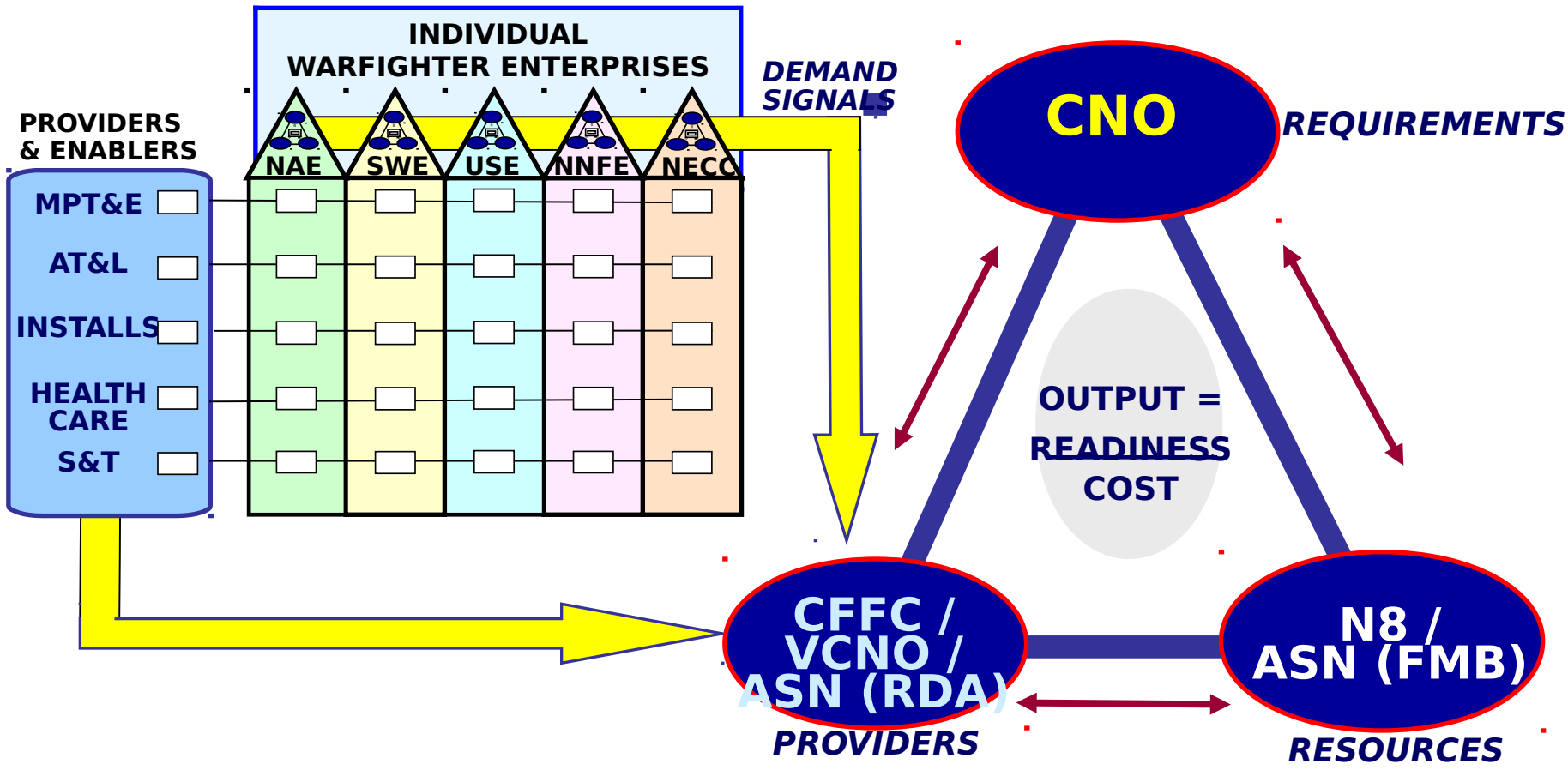
TO MAXIMIZE

  - RELIABILITY, CYCLE TIME, INVENTORY, COST, AND SAFETY
- **INTEGRATION OF OTHER TOOLS**
  - (AIR*SPEED*, BLACK BELTS, ETC.)
- **FOUNDATION FOR NAE-LEVEL PRIORITIZATION**

A NEW WAY OF DOING BUSINESS

NAVY ENTERPRISE:
THE WAY AHEAD

NAVY ENTERPRISE



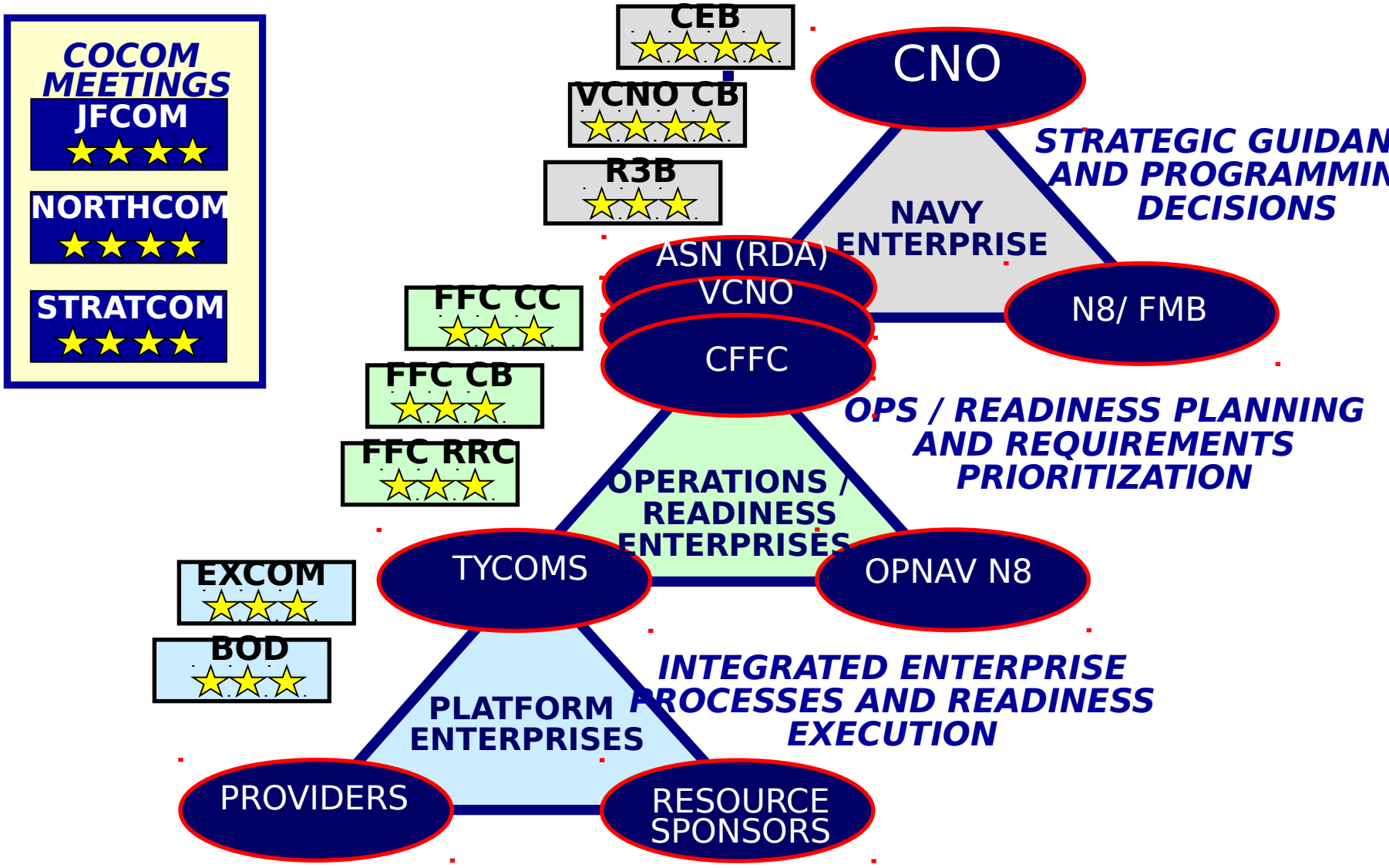
PRODUCTIVITY DRIVERS:

- PRIORITIES
- BEHAVIORAL CHANGES
- SINGLE PROCESSES / OWNERS
- COMMON METRICS
- INTEGRATED CAPABILITIES
- TRANSPARENCY OF INFORMATION

CRITICAL NAVY ENTERPRISE PROCESSES AND BEHAVIORS

- **IDENTIFY DOMAINS AND ASSIGN SINGLE PROCESS OWNERS**
- **ASSEMBLE THE RIGHT ENTERPRISE TEAMS AND GAIN COMMITMENT**
- **OPERATE IN SUPPORT OF A SINGLE FLEET-DRIVEN METRIC *(WHAT THE ENTERPRISE VALUES)***
  - ***AGREEMENT ON SCOPE, OUTPUTS, AND LINKED METRICS***
  - ***TRANSPARENCY OF DATA TO PROMOTE TRUST AND MONITOR PERFORMANCE***
  - ***SHARED KNOWLEDGE ON ISSUES AND KEY PROBLEMS AFFECTING THE DOMAIN***
  - ***RECOGNIZE, NURTURE AND RESPECT TECHNICAL AUTHORITY***
  - ***IDENTIFIED ENTITLEMENTS (WHAT'S NEEDED, WHEN, HOW MUCH, AND NO MORE)***
- **AGREE ON DESIRED OUTPUT (E.G., READINESS OVER COST), WITH FOCUS / TRADE-SPACE INVOLVING CURRENT AND FUTURE READINESS**
- **OPERATE WITH DISCIPLINE, GOVERNANCE, AND A REGULAR (TIMELY) DRUMBEAT**
- **BASELINE EVERY DOLLAR, ALL THE PEOPLE, ALL THE STUFF, AND ALL THE CAPABILITY WITHIN THE DOMAIN, WITH ASSIGNED ACCOUNTABILITY FOR OUTCOMES**
- **ESTABLISH ENTITLEMENTS; CONTINUALLY MEASURE GAPS-TO-ENTITLEMENT**

NAVY ENTERPRISE CONSTRUCT



HOW SENIOR LEADERSHIP CAN HELP:
AREAS OF EMPHASIS

- **COMMIT TO THE CHANGE – MAKE IT LAST THROUGH LEADERSHIP TURNOVER**
  - **INCLUDE IN PERFORMANCE EVALUATIONS / FITNESS REPORTS (FITREPs)**
  - **INCENTIVIZE GROUP PERFORMANCE GOALS FOR SENIOR LEADERSHIP**
  - **INCLUDE PRODUCTIVITY IMPROVEMENT TRAINING IN LEADERSHIP DEVELOPMENT PROGRAMS**
- **PARTICIPATE IN THE EFFORT**
  - **PROVIDE EXECUTIVE SPONSORSHIP FOR PROJECTS**
  - **GET TRAINED AS A GREEN BELT**
  - **DEMAND DATA AND METRICS . . . STAMP OUT OBFUSCATION**
- **PROVIDE RESOURCES – VISION WITHOUT MONEY EQUALS HALLUCINATION**
  - **PROVIDE STABLE FUNDING TO ENSURE SUCCESS**

LEADERSHIP COMMITMENT AND ACCOUNTABILITY MAKE CULTURAL CHANGE A REALITY